



## **Human Resources Outsourcing (HRO) Market Update: August 2008 – Preview Deck**

**Topic: Gathering Momentum: Mid-Market HRO**

## Background of the research

To date, employers in the larger segment, i.e., those in the over-15K active employees (>15K) segment, have received more attention because of the higher total revenue associated with these bigger HR outsourcing deals. However, there has also been much activity in the mid-market, i.e., the 3K-15K active employees (3K-15K) segment along with increased interest in this market.

This document is an update of an earlier report on the HRO mid-market published in June 2006. It is based on data gathered through December 2007 and includes:

- Market overview
- Transaction characteristics and changing market dynamics
- Implications for buyers and suppliers

## The scope of analysis includes:

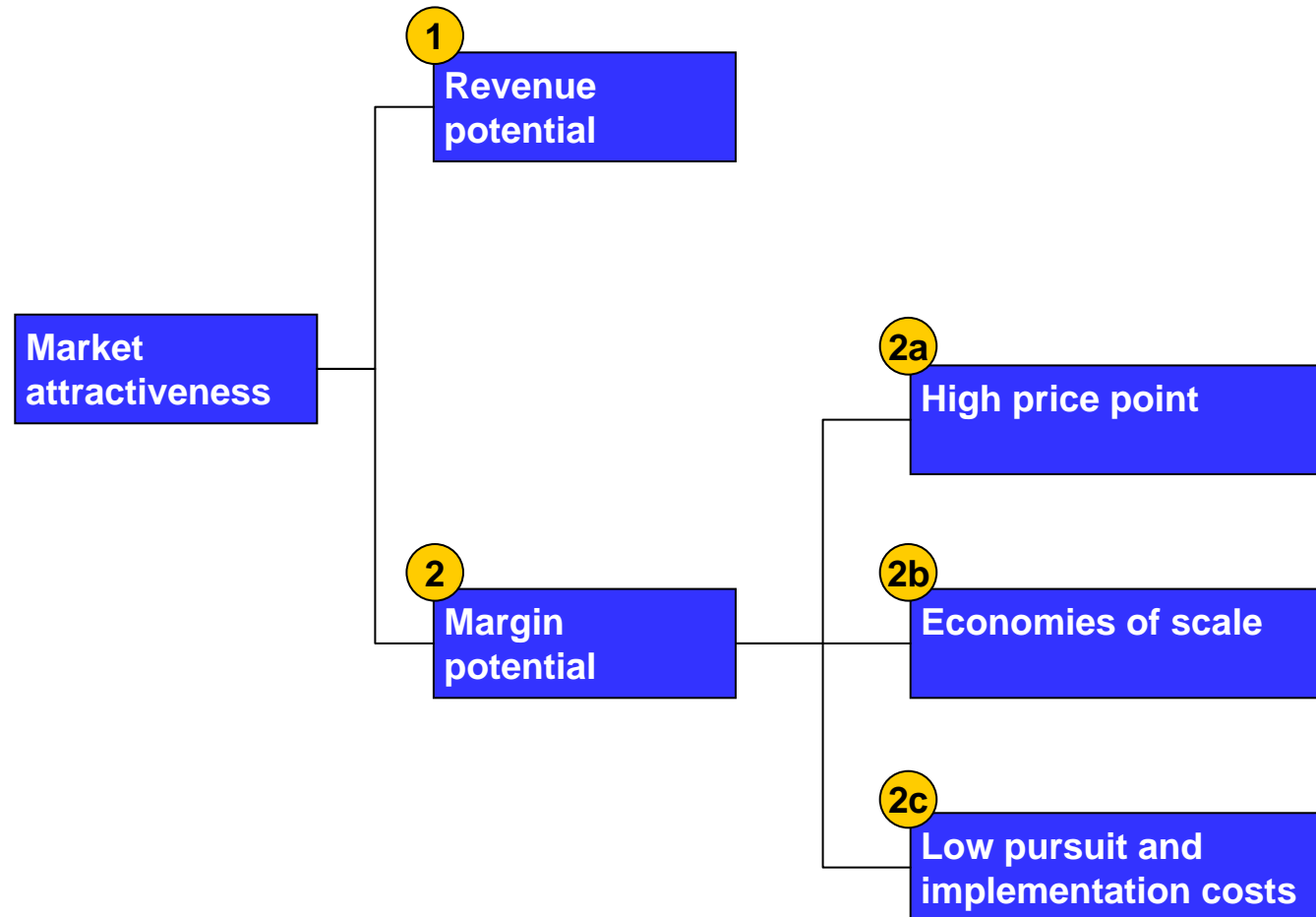
- Third-party HRO deals; it does not include shared services<sup>1</sup> or captives
- Multi-process HRO deals with a minimum of three HR processes and servicing more than 3,000 employees
- All multi-process HRO deals signed as of December 2007

<sup>1</sup> Shared services refers to the provision of a service by one part of an organization or group where that service had previously been found in more than one part of the organization or group

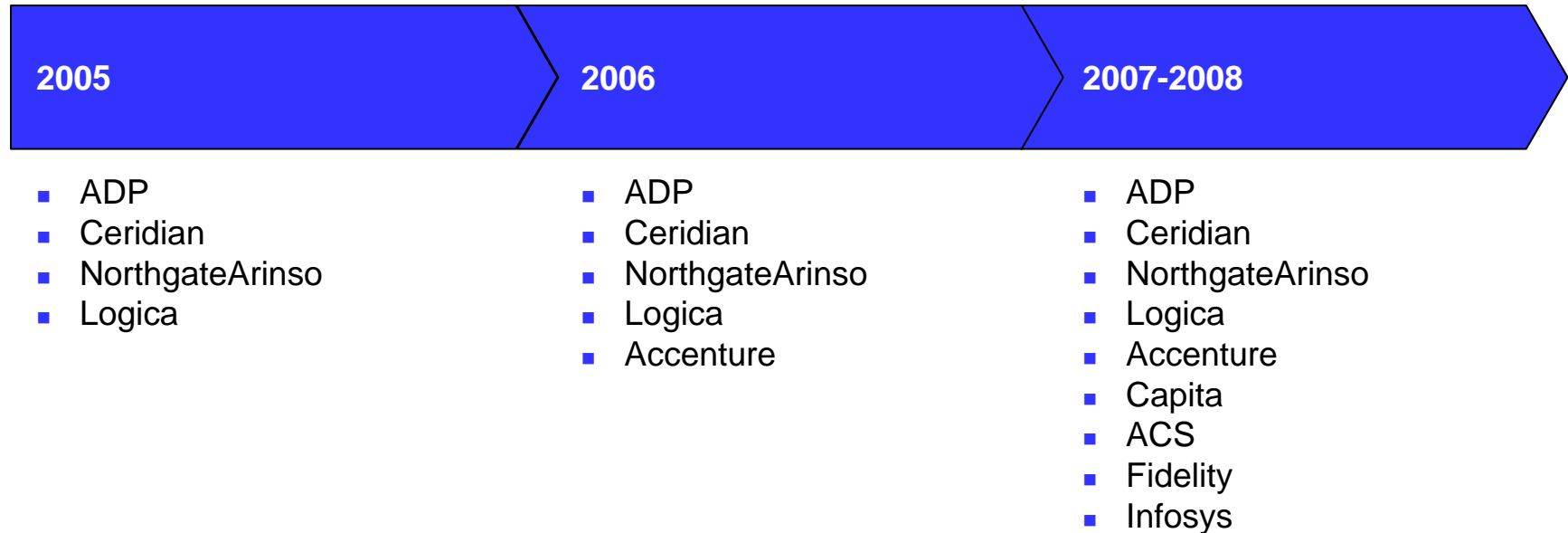
Source: Everest Research Institute (2008)

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# The mid-market is a potentially attractive segment for HRO suppliers



Given the attractiveness of the mid-market, an increasing number of suppliers are targeting this segment with a focused offering



#### Various supplier strategies in the mid-market segment

- ADP, Ceridian, Logica, and NorthgateArinso offer proprietary technology platforms
- Accenture acquired Savista (now Accenture BPO Services) in 2006 to expand its capabilities in mid-market HRO; runs on a proprietary platform
- ACS, Fidelity, and Infosys have announced their plans to offer a focused solution

Note: Although suppliers such as Hewitt, ExcellerateHRO, IBM, Steria, and Xchanging have signed deals in the 3K-15K employees segment, they are not mentioned above, as they don't have a focused/separate offering for the 3K-15K market segment

Source: Everest Research Institute (2008)

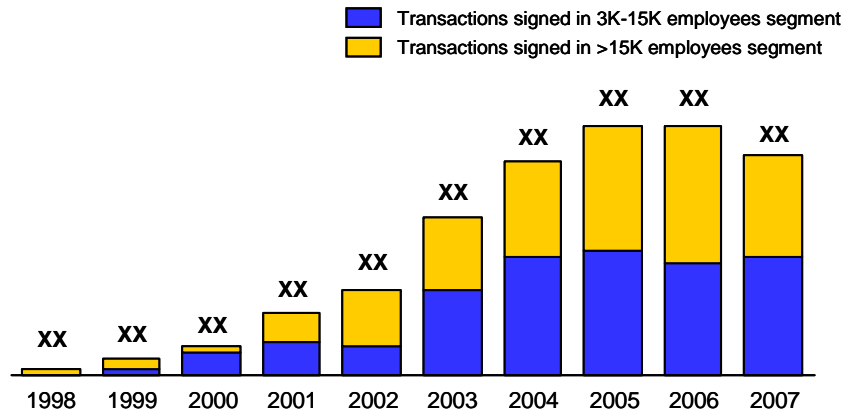
This study offers three distinct chapters providing a deep dive into key aspects of the HRO mid-market; below are four charts to illustrate the depth of the report



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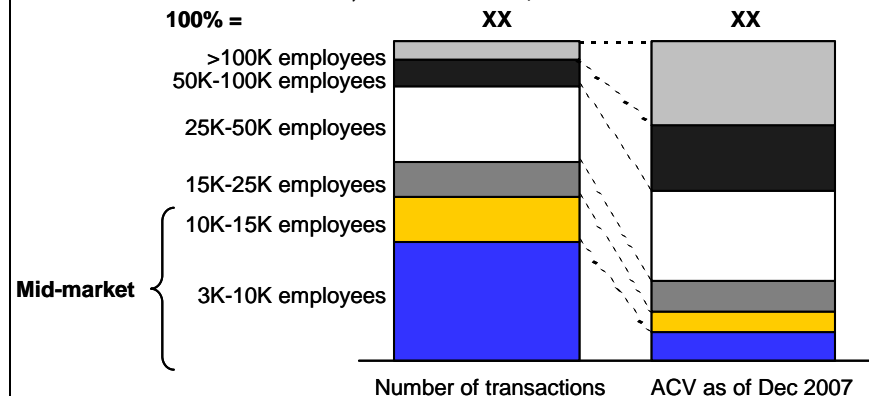
### Number of new HRO transactions

1998-2007; Number of transactions



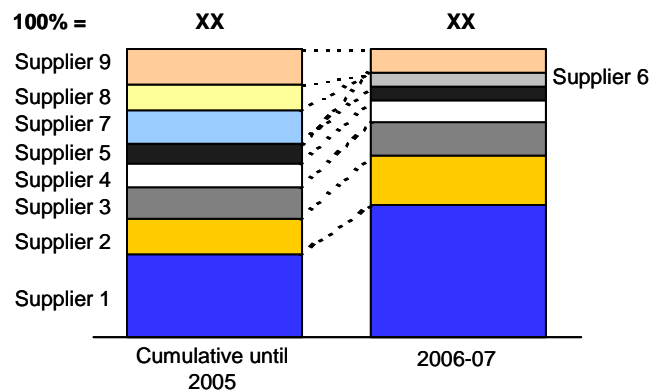
### Distribution of HRO transactions and ACV by buyer employee size

Number of transactions, ACV in US\$ billion



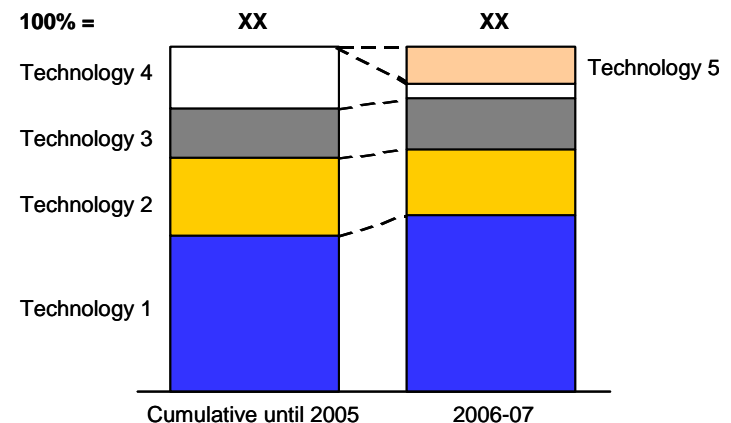
### Supplier share distribution in 3K-15K employees segment by number of transactions

Number of transactions



### Technology platform in 3K-15K employees segment

Number of transactions



Source: Everest Research Institute (2008)

# Additional HRO research recommendations



The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **Opportunity in the 3K-15K Employee Size Buyer Segment** (ERI-2006-3-R-0106b); 2006. This research analyzes the key characteristics of two key buyer segments: 3K-15K and >15K employees and examines the factors leading to profitability in these two segments. Further, it conducts a deep-dive in the 3K-15K employees segment to understand the outsourcing expectation of buyers and the service delivery requirements. It also identifies the key implications of the research findings for buyers and suppliers in these segments
2. **HRO Annual Report 2007** (ERI-2007-3-R-0220); 2007. This report provides comprehensive coverage of the global 2007 HRO market including detailed analyses on market size, buyer adoption, and transaction characteristics with an overview of supplier landscape. It also summarizes the key insights and implications for the stakeholders
3. **Global HRO Supplier Landscape** (ERI-2007-3-R-0221); 2007. This research analyzes global 2007 HRO supplier landscape, investigates the emerging supplier trends, and assesses supplier delivery capability across scale, scope, technology, and delivery footprint. The report also profiles key HRO suppliers
4. **Pan-European HRO Market** (ERI-2008-3-R-0249a); 2008. This report examines the Pan-European HRO market and provides insights, detailed analyses and implications for stakeholders along four key dimensions: market size and trends, market segments, transaction characteristics, and supplier landscape and delivery capabilities. Each dimension is discussed in detail (and illustrated with supporting data and analysis) to provide the reader information in easy-to-apply, bite-size pieces

For more information on this and other research published by the Everest Research Institute, please contact us:

**Monica Barron**, Vice President:  
**Rajesh Ranjan**, Research Director:  
**Sudhanshu Saxena**, Research Analyst:  
**HRO Team:**

mbarron@everestgrp.com  
rranjan@everestgrp.com  
ssaxena@everestgrp.com  
HROresearch@everestgrp.com

**Everest Research Institute**  
Two Galleria Tower  
13455 Noel Road, Suite 2100  
Dallas, TX 75240

Phone: +1-214-451-3110  
Email: info@everestresearchinstitute.com

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## **Everest Research Institute**

Two Galleria Tower  
13455 Noel Road, Suite 2100  
Dallas, TX 75240  
U.S.A.  
+1-214-451-3110  
[www.everestresearchinstitute.com](http://www.everestresearchinstitute.com)  
[info@everestresearchinstitute.com](mailto:info@everestresearchinstitute.com)

## **Everest Group**

150 E., 52<sup>nd</sup> Street, 16<sup>th</sup> Floor  
New York, NY 10022  
U.S.A.  
+1-646-805-4000

## **Everest Canada**

The Exchange Tower  
130 King Street West, Suite 1800  
Toronto, ON  
Canada M5X 1E3  
+1-416-865-2033



## **Everest UK**

1<sup>st</sup> Floor, Accurist House  
44 Baker Street  
London, W1U 7AL  
United Kingdom  
+44-870-770-0270



## **Everest Netherlands & Continental Europe**

Atrium Building 3<sup>rd</sup> Floor  
Strawinskylaan 3051  
1007 ZX Amsterdam  
+31-20-301-2138

## **Everest India**

Ground Floor, Tower A  
Unitech Business Park  
South City - I, Gurgaon  
National Capital Region  
India 122001  
+91-124-304-1000

## **Everest Australasia**

Level 6, 90 Mount Street  
North Sydney, NSW 2060  
Australia  
+61-3-9833-1018

## **Everest Australia**

409a Wattletree Road  
East Malvern  
Melbourne, VIC 3145  
Australia  
+61-3-9509-3933